

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company	:	
d/b/a Nicor Gas Company and	:	
North Shore Gas Company	:	
	:	
Joint Petition for Consent to an Approval	:	06-0466
of a Firm Transportation Agreement	:	
Pursuant to Section 7-102, 9-102 and 9-201	:	
of the Illinois Public Utilities Act and	:	
Related Relief.	:	

ORDER

By the Commission:

On June 26, 2006 Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas") and North Shore Gas Company, ("North Shore") (collectively, the "Petitioners") filed a verified joint petition requesting consent to and approval of the execution of a Firm Transportation Agreement between the Petitioners ("2006 FT Agreement").

The 2006 FT Agreement, dated September 1, 2006, provides that Nicor Gas will transport natural gas to North Shore on a firm basis. The term of the 2006 FT Agreement, which was made subject to Commission approval, is September 1, 2006 through March 31, 2009. It also provides that Nicor Gas will transport gas from an interconnection point between Nicor Gas and ANR Pipeline Company ("ANR") facilities near Hampshire, Illinois, to an interconnection point between Nicor Gas and North Shore facilities known as Busse Road. The maximum daily firm contract quantity that Nicor Gas would transport on any day is 70,000 MMBtu. This quantity represents 1.9% of Nicor Gas' historical peak-day sendout.

North Shore would benefit from retaining an additional market-area supply source at economical rates, which would increase system reliability. The firm transportation service provided by Nicor Gas is integral to North Shore's purchase of certain existing storage services from ANR. Absent the service from Nicor Gas, North Shore would need to purchase a more costly service from Natural Gas Pipeline Company of America in order to receive the ANR service. Accordingly, the 2006 FT Agreement is consistent with the public interest and convenience. As with charges paid under the previous 2003 FT Agreement for this service, North Shore will recover these costs through its gas supply charge (Rider 2 of its Schedule of Rates for Gas Service).

The 2006 FT Agreement provides that Nicor Gas receives a demand charge of \$291,732 for each five month period beginning November 1 and ending March 31 during which service is available, and \$0.011 per MMBtu transported during the billing period. The revenues from the service would allow Nicor Gas to recover its costs associated with providing the service and make a contribution to fixed cost recovery. As with revenues received from the previous 2003 FT Agreement for this service, revenues to Nicor Gas will be recorded as above-the-line utility revenue.

The Commission Staff reviewed the Joint Petition, attachments, and any other documentation involved in this proceeding and found no reason to contest the request made by the Petitioners in this docket. On August 9, 2006, the Commission Staff filed a stipulation stating their agreement, conditioned upon the following language appearing in this Order:

North Shore's expectation is that it will retain some amount of storage service from ANR after the expiration of its current contracts. Consequently, it will continue to require a means to transport gas to its system in connection with the ANR service, and that transportation may require North Shore to purchase service from Nicor Gas or Natural or purchase or put in place other transportation alternatives that may develop in the future. To ensure that the components of the service are in place in a timely way, North Shore commits to use reasonable efforts to have arrangements with all parties in place prior to the expiration of the current storage and transportation agreements and, if that is not possible, to negotiate appropriate contract conditions that avoid North Shore making a binding commitment to one party before other agreements are finalized and, if applicable, Commission approval is obtained.

The Commission finds that the language proposed by Staff should be adopted and incorporated herein, and that the 2006 FT Agreement is within the public interest. The Agreement allows Nicor Gas to provide a service to North Shore that is needed to support certain storage services North Shore purchases from ANR Pipeline Company, and to do so at less cost than other alternatives available to North Shore. Nicor Gas' provision of the service would not have an adverse impact on its ability to provide reliable service to its customers. Moreover, Nicor Gas' customers benefit from this Agreement to the extent that revenues received by Nicor Gas cover its costs and contribute to fixed-cost recovery. North Shore treats the charges for the service as recoverable gas costs that are accounted for in its PGA, which is subject to the annual reconciliation of costs and revenues. Nicor Gas accounts for the revenues it receives above-the-line, rather than flowing them through the PGA.

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Northern Illinois Gas Company d/b/a Nicor Gas Company is a corporation engaged in the distribution of natural gas in Illinois, and, as such, is a public utility within the meaning of the Illinois Public Utilities Act;
- (2) North Shore Gas Company is a corporation engaged in the distribution of natural gas in Illinois, and, as such, is a public utility within the meaning of the Illinois Public Utilities Act;
- (3) the Commission has jurisdiction over the parties and of the subject-matter of this proceeding;
- (4) the Petitioners have satisfied the requirements of Sections 9-102 and 9-201 of the Public Utilities Act;
- (5) the recitals of fact set forth in the prefatory portion of this Order are supported by the record, and are hereby adopted as findings of fact;
- (6) the language proposed by Staff and incorporated above is adopted;
- (7) the Agreement, attached to the Joint Petition, satisfies the requirements set forth in Section 7-102 of the Public Utilities Act; it is reasonable, it will promote the public interest and convenience, and it should be approved;
- (8) the parties should be allowed to perform all acts that are not contrary to the Public Utilities Act and the Commission's rules and regulations, and which are necessary to performance of the Agreement.

IT IS THEREFORE ORDERED that the 2006 FT Agreement between Northern Illinois Gas Company d/b/a Nicor Gas Company and North Shore Gas Company be, and hereby is, approved.

IT IS FURTHER ORDERED that authority to perform all acts necessary to performance of the Agreement that are not contrary to the Public Utilities Act and the Commission's rules and regulations be, and hereby is, granted.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 13th day of September, 2006.

(SIGNED) CHARLES E. BOX

Chairman